The Use of Logics in a Transitional Economy

Abstract

Using the dual concepts of 'dominant logic' and institutional logics, this paper examines how senior managers in the context of a transition economy navigate between the competing logics of state-dependency and market-dependency when seeking to explain their firms' business strategies. By comparing accounts in matched-paired case studies drawn from state versus private sectors, the study reveals how top teams develop shared dominant logics which are patterned in a manner which reveals that the degree of state-dependency was the critical variable and that market was a subsidiary variable. Further, the study found that it was the top teams in the state-owned firms which articulated the more confident, proactive expansionary plans, while the top managers in the private sector firms presented more cautious and incremental business strategies. Contextual conditions are described which help account for these contrasting patterns.

Key words: Business strategy, dominant logics Ethiopia, institutional logics, transitional economy

Introduction

Drawing on the idea of 'dominant logic' (Obloj, Obloj & Pratt, 2010; Prahalad & Bettis 1986) and institutional logics (Friedland and Alford, 1991; Thornton, 2004; Greenwood and Suddaby, 2006; Thornton and Ocasio, 2008, Dunn and Jones, 2010; Greenwood et al, 2010) this study investigates how senior managers in the context of a transitional economy responded to competing institutional demands of the state and the market. Specifically, this paper addresses the question: *In a highly contested and uncertain transitional economy environment, what logics do strategic level managers draw upon and how do these logics manifest in organisational strategies?* This paper seeks to further our understanding of the interplay between firm level managerial logic and institutional logics and the types of institutional logics (state favoured versus market) which influence top managers' decisions in private and public sector firms in environments that send ambiguous and contradictory signals. We seek to explore the underlying assumptions and thought processes of senior executives taking the case of two firms in public and private sectors in Sub-Saharan Africa.

Firm level dominant logic essentially refers to how firms "conceptualize and make critical resource allocation decisions" (Prahalad and Bettis, 1986, p. 490). In the context of a transitional economy the bases of competition, organisational structure and the survival of firms are affected by the dynamic, volatile, changes. Such volatile changes require senior managers to interpret and decide on what it takes their organisations to success in a radically evolving environment. As firms enact the changing market oriented environment, it becomes important for them to develop plausible business strategies, processes, practices which align with a new environment. In this way, the emergent dominant logic manifests into observable organisational features, as well as more tacitly in organisational values and culture which facilitate decision making on key organisational issues.

However, recent studies show that the empirical support for the impact of dominant logic has been relatively weak (Obloj & Pratt, 2005; Obloj, Pratt & Obloj, 2010). Moreover, this construct is rarely applied in a transitional economy context; what role might logics play in interpreting managerial strategising in transitional economies? The question is especially interesting in the context of those economies transitioning from a socialist economic system to a market economy as such contexts suggest truly fundamental shifts in underlying logics. A study of dominant logics in such settings offers the potential to further our understanding of the concept.

As cultural beliefs and rules, institutional logics shape actors cognitions and behaviours (Dunn and Jones, 2010, Friedland and Alford, 1991; Greenwood et al 2010; Thornton, 2004; Thornton and Ocasio, 2008,). Logics focus decision maker attention on specific sets of issues and solutions (Ocasio, 1997), and consequently they influence organizations' decisions as to whether to adopt specific practices. Examples of institutional logics include editorial versus market orientation in the publishing businesses (Thornton & Ocasio, 1999), a national versus community banking orientation (Marquis & Lounsbury, 2007), and regulatory logic versus market logic in finance (Haverman and Rao, 1997, Lounsbury, 2002). Such logics provide guiding principles to align organisational practices with specific problems and rhetoric accounting for why organizations should change to incorporate new practices (Kono et al., 1998; Lawrence & Suddaby, 2006). The study of institutional logics in a transitional (developing) economy context is rare. Previous studies focus much more on factors that constrain strategic transformation as a response to institutional changes (e.g., pace of change (Newman, 2000), governance (Filatotchev et al., 2003), factor markets (Spicer et al., 2000), historical imprinting (Kriauciunas and Kale, 2006), network-based strategy (Peng 2000; Peng and Heath, 1996; Peng and Luo, 2000), and building legitimacy (Ahlstrom et al 2008). Hence, there is a need to examine how senior managers in different organisational contexts construct a patterned set of firm-level logics which embody the characteristics of the industry and strategy of the firm. The paper, in particular, seeks to examine how and in what conditions firm-level logics intersect with field-level institutional logics as the latter were found to shape the underlying assumptions and beliefs about what actions and practices are desirable and appropriate in given institutional contexts (Lounsbury, 2007; Shipilov, Greve & Rowley, 2010; van Gestel and Hillebrand, 2011). Ethiopia, which exhibits many of the characteristics of a society and economy in transition, serves as a rich context within which to examine the interplay between dominant logic and institutional logics.

Notably, this paper makes three specific contributions to the literature. First, it provides insight into the use of dominant and institutional logics in the little examined transition economies in Africa. It not only integrates strategic and institutional theories but also provides insights into 'why' and 'how' senior managers navigate through competing logics in order to succeed and thrive in environment characterised by high level instability, uncertainty and ambiguity. In doing so, the paper makes a second contribution by focusing not only on the nature and consequences of institutional logics but also on the organisational features that heighten the use of them (Greenwood et al, 2011). Finally, it is postulated that the insights drawn from this work to be relevant to other transition economies where the government retains control over the resources and connections.

The rest of the paper is structured as follows. Review of relevant literature is presented in section two. Then, the research methodology is outlined in section three. Findings are presented in section four. Discussion and implication of the research are presented in the final section.

Theoretical backdrop

Dominant logics

Obloj *et al*. (2010, p. 151) define dominant logic as 'the manner in which firms conceptualize and make critical resource allocation decisions, and over time develop mental maps, business models, and processes that become organizational recipes'. Their use of this concept is similar to other terms such as 'mind-sets' (Nadkarni & Perez, 2007), 'interconnected choices' (Siggielkov, 2001), and 'strategic frames' (Huff, 1982). In their original formulation, Prahalad and Bettis (p. 491) define a dominant logic as a 'mind-set or a worldview or conceptualization of the business and administrative tools to accomplish goals and make decisions in that business.'

There are two main relevant dimensions to the way dominant logics operate in the context of managerial action. First, dominant logics serve as an information filter – they help to organise the potentially chaotic inflow of information. Second, they provide the basis for establishing routines of action.

Dominant logic as an 'information filter' draws on previous work on the content of managerial cognition and mind-sets (Boissot and Li, 2006; Gavetti et al, 2005; von Krogh, Erat, & Macus, 2000; and Walsh, 1995). Bettis and Prahalad (1995) and Bettis (2000) treat dominant logic as a knowledge structure that evolves over a substantial period of time based on experiences with the characteristics of the core business; tasks critical to success; performance measures; and values and norms evolution. This knowledge structure works as a set of perceptual and conceptual filters that, as von Krogh et al., (2000) argue, 'sifts' information from the environment. Routines and learning form the second dimension of the dominant logic. Routines include 'specific corporate level functions' such as 'allocating resources, formulating business strategies, and setting and monitoring performance targets' (Grant, 1998, Obloj et al 2010, 153). Learning on the other hand, occurs through actions and experience (March, 1996; Zander & Kogut, 1995) and later can become codified in organisational rules and routines (Miller, 1996).These dimensions thus are interdependent. The way in which this process occurs is explained by Boissot and Li (p. 320) who suggest that the ‘codification’ of experiences occurs and that this is accompanied by abstraction that reduces ‘the number of categories required for achieving a viable representation of the experience, and hence the entropy associated with them’. These characteristics confront an unusual degree of challenge in an environment where the very fundamentals of business are open to deep questioning. How might a dominant logic establish itself in a context such as that found in Ethiopia where a strong legacy of state planning remains (with many of the institutional supports and cultural artefacts still in place) whilst a new market-focused logic is simultaneously championed? In ambiguously and rapidly changing environments such as that typified by Ethiopia, an appropriate firm level managerial logic that fits the new world order should presumably provide a valuable advantage when compared with legacy logics based on assumptions of state preferment and selective protection.

Institutional logics

Logics are understood to originate within the societal sectors such as the professions, corporations, the state, the market, the family and religion (Friedland and Alford, 1991, Thornton, 2004, Dunn and Jones, 2010). Logics are socially shared, deeply held assumptions and values that form a framework for reasoning, provide criteria for legitimacy, and help organize time and space (Friedland & Alford, 1991; Thornton, 2004; Thornton & Ocasio, 2008). Embodied in practices and ideas, institutional logics can shape the rules of the game in a context where the rules are ambiguous and subject to sudden change. There are ‘two strands of research’ in this area (Shipilov and Rowley, 2010, p.846). The first strand of this research sought to examine how a dominant institutional logic originates and uniformly shapes organizations, either reinforcing the spread of a practice that conforms to the increasingly dominant institutional logic (Thornton, 2002) or accelerating the abandonment of an old, increasingly illegitimate logic (Davis, Diekmann, & Tinsley, 1994). The second strand of research has focused on showing how contention between opposing logics leads to fragmentation of institutional fields (Marquis & Lounsbury, 2007; Shipilov et al 2010). More recently the third strand of research sought to examine how hybrid organisations respond to multiple logics (for example, Pache and Santos, 2010; Kodeih and Greenwood, 2014). This paper primarily draws on the first and the third strand of research.

There is a well-established link between logics and practices (e.g., Lounsbury 2007; Thornton, 2002). It is also recognised that organisational fields are usually typified by multiple, often conflicting logics (Reay and Hinings, 2005, Reay and Hinings, 2009; Greenwood, et al. 2010). Yet our understanding about how and in what context organisations use multiple, competing, logics is very limited. Such understanding is particularly important in transition economies context where firms face a situation in which institutions and their responses often change rapidly due 'weak' formal institutional frameworks and normative and cognitive institutions that are not necessarily supportive of managing businesses in an evolving free market environment (Busenitz, et al., 2000 In transitionary situations, thus there will be uncertainty about which institutional logics will shape the cognitions and behaviours of senior executives as they seek to enact the transition to a new market-oriented economic environment. In such environments, firms may combine competing (or sometimes contradictory) institutional logics which may 'increase the flexibility or the scope for strategic actions' (Jackson, 2009, p.609). We set out to uncover how senior managers in the transitionary context of modern Ethiopia would explain their logics of action.

Context

Ethiopia is a land of contrast. Ethiopia is the second most populous country in Africa, is widely known for over dependence on a volatile agricultural economy that is susceptible to recurrent severe droughts, an unstable political situation and disruptions caused by a long term civil war (Author, 2007). The political process that brought first the Derg (the socialist regime) and then the current government to power (in 1974 and 1991, respectively) was both unpredictable and violent. The recent study concludes that 'economic insecurity pervades Ethiopia's modern history, with the rule of law, the enforcement of contracts and the security of property each configured on a shaky political base' (Geda, 2008, p. 116).

The formal institutional framework in Ethiopia is extremely weak and unstable and typified by high levels of market imperfections, the absence of market-supporting institutions, low contract-enforcing mechanisms, underdeveloped infrastructure and communication networks and slowly evolving judicial system which is strictly controlled by the ruling party and the government (Miller *et al*. 2011,World Bank, 2009). The country's financial system remains underdeveloped. As of 2015, it has only three state-owned and 16 privately-owned banks with the total of 2693 bank branches which 'serve' over 90 million people. Stock exchange and capital markets are not yet operational. Industrial structure is dominated by a relatively small number of government-owned firms and conglomerates, featuring a high degree of market concentration, and is characterized by relatively high administrative barriers to entry (Ciuriak and Preville, 2010).

Further, the state-owned firms in strategic sectors and enterprises affiliated to the ruling political party are buffered by the government from competitive and market forces. Public enterprises still play a major role in many areas, including the financial, energy, and communication sectors (Author, 2007, 2010; IMF, 2008; Miller *et al.* 2011). Government development policies provide business opportunities for enterprises in 'strategic' sectors when many other enterprises are exposed to cut-throat competition. These situations have created *'state-favoured'* contexts for conducting business activities. Enterprises embedded in strong networks with the politicians in power (state- and party-owned firms) are the primary beneficiaries of any resource allocation by the government and perceived to have an insider information about and preferential access to mega public sector contracts (Author , 2010). In contrast, managers in the private sector might be expected to use more informal substitutes because they have less ability to use state-based networks. The underdevelopment of formal institutions and the state preferment may compel managers to form distinctive dominant logics to shape the 'rules of the game' in their favour. Conceivably, senior managers exposed to competitive market pressures amidst institutional fluxes and voids would tend to develop *'market-dependent'* logics.

Methodology

Research design

A matched –paired case study approach was deployed for data collection. Matched cases are considered to be relevant for this study for three reasons. First, this approach 'enables comparisons that clarify whether an emergent finding is simply idiosyncratic to a single case or consistently replicated by another case (Eisenhardt & Graebner, 2007). Second, this research strategy helps to answer the "how" and "why" research questions in unexplored research areas (Edmondson & McManus, 2007) and when the context is not well understood. Third, this approach makes the assumptions underlying the selection of cases more explicit, and hence they facilitate transparency (Nielsen, 2011)

In a matched-pair logic, two organisations were purposively selected in this study for similarity in industry (banking) and market they operate in, as well as for difference in ownership (the state-owned bank versus the newly-formed private bank). Thus, banking sector similarity would allow comparing the impact the ownership types have on why and to what extent senior managers in both organisations draw on the competing logics of state and market logics (cf, Tarrow, 2004) over the time. In doing so, this approach is useful to make conclusions that show difference in the types of ownership might be the main cause of any differences in the ways and the extent to which senior managers in the sample organisations use the competing logics (see, Nielsen, 2011). Access to a sizeable group of Ethiopian senior managers was time consuming and difficult. It was secured through arduous negotiations over several months, facilitated by a wide variety of gatekeepers in formal and informal networks that emerged via a snowballing method. The basic profile of the two banks is shown in Table 1.

Table 1: Profile of the case study organisations

	Years in operation	Capital (million Br)	Branch	Employees	Deposit (million Br)	Loans & advances
ComB1	52	10,716.4 (34%)	977 (36.3%)	18524	193,320	33715.5 (44.7%)
ComB2 bank	20	2540.3 (8.1%)	207 (7.7%)	5847	19, 506	3723.6 (4.9)

Source: National Bank of Ethiopia 2014/15 Annual Report, COMB2 2014/15 Annual Report and COMB1 2013/14 annual report.

ComB1 has been established according to the laws of Ethiopia in 1963. The only shareholder is the state. It has a very strong resources base: human and financial capital, assets, customers, and widespread branch networks. In 2014/15 it had 977 bank branches (36.3% of all bank branches in the country), 44.7 per cent of credit market, 72 per cent of deposit account and 12524 employees as of June 2014. In contrast, the private commercial bank is the first private bank to be established as a Private Limited Company by the Ethiopian nationals in 1994 and started banking operations in February 1995. As of June 2015, it had 5847 employees, 207 bank branches and had about 5 per cent of credit market and mobilised over 19 billion Ethiopian Birr in deposit (see Table 1 above)

Both firms operate in the banking sector, serve similar customer base and face the same regulatory environment. Further, the two banks operate in buffered, less competitive, markets due the policy restriction in place that prohibits the entry of foreign financial intermediaries into the country. However, they differ in ownership types and this, as to be shown later, has a number of implications for their level of proactiveness, external orientation, logics enacted and strategies pursued.

Data Collection and Analysis

We used various data sources. These included face to face interviews with senior managers, interviews with national level experts, analysts and policy makers to frame the research context, as well as secondary sources including organisational reports, industry reports and data from various sources.

Primarily, two-phase face-to-face interviews with 22 senior managers in different functional areas were conducted to obtain a wide spectrum of perspectives. Two criteria used to select these managers were that they hold senior management role and were members of the organisation's decision making body so that they were able to provide temporal accounts of their interaction with the environment and strategies used.

A semi-structured interview protocol was used for teasing-out managers' interpretations of major organisational issues. These included their experience of the business environment and changes within it; the ways in which they adapt to, and cope with, the demands of organisational context through leaning and routines; the types of plausible business strategies and related actions and practices considered 'appropriate'. Semi-structured interview questionnaires provided some direction to the respondent while also permitting additional open response beyond the initial question. Hence, the interview questions prompted managers to reflect upon their personal interpretations of the nature of the business environment and how these may have influenced the development of strategic responses in their organisations. These face-to-face interviews averaged around 90 minutes. Interviews were recorded verbatim and transcribed professionally for coding and analysis. Respondents were assured of anonymity. The researchers were conscious of the potential difficulties of being seen to impose confessional-style interviewing of a western tradition in this very different context.

To contextualise the study, at national level, we conducted interviews with 18 high level experts, policy makers and analysts who have thorough knowledge and experience of the issues facing businesses during a transition period. The composition of the purposively selected interviewees were from relevant government ministries (5 senior officials), agencies (six directors), umbrella business associations (four presidents/board members), an economic research institute (two directors/senior analyst) and the central bank (director) to understand their perspectives on the radical changes taking place in the country and their implications for the business organisations. Other sources of information included archival and published materials about the case study organisations, relevant publications on Ethiopia by international organisations, industry/sector reports, research and promotional materials by the government agencies.

As is typical in inductive research, we began with in-depth analysis of each case from the perspective of our research question (Eisenhardt, 1989; Yin, 2003). Two researchers read the cases independently in order to form their own views of each narrative. The goal of this within-case analysis was to identify themes and patterns for each case independently, in relation to the research question of understanding the role of various logics in organisational adaptation and responses.

We then turned to matched-paired case analysis in which the insights that emerged from each case were compared with those from the other case to identify consistent patterns and themes across the cases (Eisenhardt, 1991; Yin, 2003). Major themes and constructs were grouped by patterns of interest to facilitate comparisons. Significant discrepancies and agreements in the emergent analysis were noted and subjected to further exploration with the data. During the data analysis phase we were conscious of the need to achieve trustworthiness and to minimise researchers bias by being reflexive and establishing consensus in our interpretation.

Findings and analysis

Differentiated logics: Market-dependent versus 'state-favoured' logics

Organisations are often subject to respond to competing, sometimes, conflicting logics in order to satisfy the demands of institutional and market environments. *Prima facie*, both case study organisations face similar market, competitive and institutional environment (regulative, normative and cultural/cognitive) and hence one would expect that they draw on similar institutional logics for strategy making. However, the two banks examined were differentiated in the extent to which they draw on competing institutional logics: the ComB2's strategies and actions were shaped by a conservative and cautious 'market' logic whereas senior managers in 'state-favoured' bank were able to hybridise the logics and in consequence implemented organisational strategies, process and practices underpinned by the two logics. For instance, one of the vice presidents of the ComB2 explains the then perception and how such perception shaped the consequential actions:

> We were excited to grab opportunities from the ensuing changes in policy environment which allowed private business to operate in this country. However, it has been a challenge for us to plan ahead, acquire the required resources and manage business due to ambiguities and uncertainties. ..... we felt that businesses are clearly demarcated along the ownership lines which provided them with differential access points for resources and market. In consequence, we thought that our existence depended mainly on serving our customers and shareholders whilst being alert about the frequent twist and turns in government policy and regulations.

Thus, one possible explanation for such a differentiated application of pertinent logics can be traced back to one of the salient organisational features, the ownership type, which determines the extent to which various logics influence senior managers' interpretation and subsequent organisational actions. It would appear that while ComB2 managers were willing – and were impelled - to consider rapid and sustained growth in marketplace, they were in fact rather more timid and uncertain about this when compared with senior managers in the state-dependent bank.

Due to their political appointment, the ComB1 managers had very close ties to the government and access to political power. Such networks and power were pivotal for state-owned bank managers to have access to timely information, resources and state-sponsorship. Hence their experience of the institutional environment influenced their interpretation of it as conducive and which presented them with the opportunities for action. The ComB1 managers developed networks for accessing insider information relating to policies, markets and regulations to their advantages. The ComB1 managers used government reform, restructuring and capacity building programmes (e.g., financial sector reform programme) as a frame of reference for organisational transformation, change management and to identify, develop and execute business strategies. Indeed, senior managers used 'institutional transformation' logic as a subset of 'state-favoured' logic, as this was cascaded from the above and used as a frames of reference to undertake bank-wide organisational changes. One of the senior ComB1 presidents explains:

> As the state-owned institution, the government appoints senior executives and establishes Board of Directors to oversee the activities and performance of this bank. We enjoy support in our strategy development and organisational transformation programme through the financial sector reform programme and the establishment of authority which looks after and oversees the state-owned banks and an insurance company. Our missions, visions and values are thus informed by the concurrent government policy and initiatives.

The ComB1 also benefited from international professional consultancy services such as Ernst & Young and the Bank of Scotland-Ireland to undertake organisational transformation but there were felt tensions how to incorporate logics coming from different institutional spheres (cf, Reay and Hinings, 2005). Hence, the ComB1 was highly dependent on the government for its strategizing practices, critical resources and for undertaking organisational changes which underpinned its organisational processes, routines and learning.

Importantly though, senior managers in this bank were not limited to draw on the ‘state favoured’ logic alone. Several senior managers of ComB1 considered the banking market became competitive as the ComB2s were making a significant stride in taking market share in deposit, loan, capital and branch networks. So they were compelled to take actions for impression management and organisational transformation to cope with competitive and market pressures. In particular, one of the vice president identified ‘*service delivery capacity and efficiency to have become the only differentiating factors given similar products and price structure of the banking industry’*. Ultimately, they viewed ‘service quality and customer satisfaction’ to be strategic performance indicators without disregard to traditional financial performance indicators it used to measure its performance. Thus they were considering positioning the ComB1 with differentiated products and pricing strategy, and quality customer service. There were two reasons for this. First, the opening up of the banking market for domestic competition during a transition period meant that senior managers in the ComB1 also had to interpret the market and competitive environments and ‘what constitute appropriate behaviour and how to succeed’ (Thornton, 2004, p.70). Second, there was the need for managers to legitimate their decisions and actions to external and internal stakeholders through adoption of best business practices. Thus, they identified commitment to maximizing shareholder value, an ability to satisfy customers and adoption of customer-friendly banking technology as the ways forward. These strategic organisational objectives were to be achieved through enhanced financial intermediation, capable, skilled, employees and use of international best practices when offering products and services. Thus, market logic came into use when considering organisational success in the marketplace.

The foregoing analysis shows how managers use hybrid of logics, of course at different levels of emphasis, when enacting the environment in which their organisations operate. Senior managers facing, on the one hand, the top down changes imposed by the state, and the market competitive pressure, on the other, sought to negotiate the interplay between the two competing logics. This analysis is in line with Seo and Creed (2002) work that illuminates the subtle interplay between institutional embeddedness and transformational agency in institutional change. It also is in accord with the study that highlighted change agents and their power in shaping the character of change in the public sector (Townley, 2002). We provide evidence in the next section on the organisational manifestations of hybridised logics in firm level logics which underlie business strategy and associated practices and routines.

In contrast, the ComB2 decision making and actions were shaped by 'market' logic. The market as both an economic and institutional structure was the prime point of institutional reference. This ComB2 had much less access to political power, and ties to the government were weak. But, they were cognizant of the opportunities available due to the development policy that favours firms in strategic sectors (e.g., financial, energy, telecommunication, export). Indeed, most of top executives in ComB2 were senior managers in the state-owned banks during the socialist regime and had a sufficient experience of state interference in private businesses and how to co-opt. The vice president explains:

> Most of our senior management were ex- senior managers in the state commercial bank. For example, the president was the managing director of the state commercial bank and then the governor of the National Bank of Ethiopia. I also served in various senior management positions over two decades. So we have a very capable and experienced management team with thorough understanding of the banking business, the character and types of customers and the ways in which to cope with the state rules and regulations.

Such experience helped the ComB2 senior managers use informal networks with some influential actors and capitalise on their shareholder base to validate their business operation as desirable and appropriate in a changed business environment.

The ComB2 managers saw an aspect of the government policy as a time-bound opportunity that should be enacted. Despite the advantages to be had from the current policy which bars entry of foreign financial institutions, they argued for a policy aimed at liberalisation of the financial sector at a moderate pace. They perceived that such liberalization would enable the development of competitive and marketing capabilities through forming alliance or merger with foreign financial institutions. Thus, they saw the current policy environment as limiting their scope for action. They were, for the time being at least, highly alert to signals from the government concerning commitment to open international markets. They sensed the influence of most powerful actor making it difficult to fully-fledged market logic and hence gave priority to become customer-focused and create value for their shareholders as a way of business success. The market logic guided 'organising' and provided these managers 'with rationales for action' (Dunn & Jones, 2010, p.114).

Links between logics and organisational strategy and practices

Consistent with previous research, this study found a link between the logics, plausible organisational strategies and processes and routines underpinning the chosen strategies (Greenwood et al, 2010; Lounsbury, 2007; Thornton, 2002, 2004). First, senior managers in both banks used both information filter view (to interpret the environment and identify business opportunities) and learning and adoption of routines (to allocate firm resources) dimensions of dominant managerial logics but with noted differences. Managers in the state-owned bank, because of their perceived solid sponsorship-base, felt more confident in competing in financial market. They were optimistic about, and exhibited a high level of confidence on, the business environment. For example, one of the senior presidents interpreted:

> The political and policy environments are conducive for the banking industry in general and the ComB1 in particular. Restriction of entry of competing international banks into the market is the major advantage for the ComB1 to continue its dominance in the domestic financial sector and it gives the Bank an opportunity to consolidate itself in terms of structure and systems, and upgraded managerial skills. The legal environment is also favourable for vibrancy and effectiveness of the financial sector. The recent introduction of the foreclosure law, for instance, helped us to recover payment from the defaulting customers' properties sale. The recent economic growth is also another factor for the planned Bank's business expansion.

Optimistic interpretation of the political and policy environment as conducive underlined their business practices. These analyses were closely linked with their state-favoured logics.

In contrast, senior managers in the ComB2 were less confident and pessimistic about their organisation's current and the future direction. For example, a senior manager in the private sector bank observed 'None of the private firms in the financial sector are able competitors against the dominant ComB1 or multinationals'. Further, the accounts such as 'people need to have confidence on the environment to invest'; 'there is no a level playing field'; 'policies and regulations change unpredictably and unexpectedly undermining the business confidence'; 'still the party and the government play predominant roles in the economy'; showed their interpretations of the business environment as threatening and unstable. Further, they reported that they were unable to develop sustainable networks and that the state enterprises with huge resources remain the main customers of the state-owned bank.

Second, the study found diversity in firms' business strategies at the organisational level. In line with the literature on learning and adoption of routines, which relate to set corporate function and strategy formulation (Obloj *et al*. 2010; Prahalad & Bettis, 1986), this study found that: a) the dominant logics reflected the shared mind-set of senior managers within a given firm and underpinned the identified business strategies and, processes and routines underpinning them; and 2) both firms experienced a diverse set of dominant managerial logics at organisational level and in consequence followed different business strategies (see table 2 below).

Table 2: Firm level dominant logics and business strategy

Organisations	Firm level dominant logic	Learning and Routines (for decision-making & resource allocation)		
		Main strategy	Simplified rules	Learning
ComB1	Globally competitive commercial bank with best international banking practice	Proactive	• New product development • Customer relationship service • Adoption of benchmarking and best international practices	• Performance monitoring • Learning by doing • Regular management meeting • Emulating behaviour and practices from overseas
		Defensive	• Process improvement • Customer-friendly banking technology	
ComB1	Leading domestic bank	Organic Growth through branch expansion	• Branch expansion • Increasing share holder base • Customer orientation • Banking technology	• Regular management meeting • Performance reviews • On-the-job training • Informal networking

Senior managers in both organisations used simplifying rules, cognitively, to operate in their marketplace based on the firm-specific dominant logic. For instance, the dominant logic in the

ComB1, backed by the confidence in state-sponsored support, was to make the organisation a 'globally competitive commercial bank with best international practice'. Guided by this dominant logic, the bank engaged both in defensive and proactive strategies and put in place the requisite processes and routines. It pursued proactive strategies by pioneering new products to the market and introducing customer relationship services. To achieve its goals, the ComB1 managers engaged in three pronged strategy elements: process improvement, new product development and human resources development. Commonly shared managerial scripts were: 'Business process reengineering improves processes in operational areas'; 'We need to provide service through customer-friendly banking technology'; 'adopting benchmarking and best practices from abroad is essential for our successes'; 'We need to diversify our product portfolios', etc. Such logics guided the resource allocation. Further, performance monitoring practices and learning by doing were used as a learning mechanism which informed subsequent behaviours and actions.

The ComB2's business model was based on organic growth through branch expansion to serve the local market. The senior team opted for incremental market expansion primarily through branch expansion and development of its human resources. These strategy elements were to be complemented by the use of banking technology, primarily, to improve efficiency in transaction processing and reporting. Representative managerial scripts such as 'more branches more customers'; 'we make our services accessible and closer to people'; 'employees are our valuable resources', to mention some, served as simplifying rules to implementing their strategies. Regular management meetings, performance reviews and on-the-job trainings acted as a learning mechanism through which the detected weaknesses were to be addressed. But these attempts to secure efficiencies and to be competitive were not matched by a confidence to expand in other, more ambitious, ways.

Third, the foregoing analysis suggests that some logics are more compelling to a certain category of organisations than others. Further, the analysis also shows that organisations could draw on multiple or competing logics but with unequal emphasis temporally or over time. For example, the state-favoured logic of the ComB1 played a significant role in shaping the senior managers' sensemaking of the environment, their view on required organisational changes and appropriate behaviours and actions. The government capacity building and the financial sector reform programmes drove this bank's organisational transformation. Senior managers articulated their dominant firm level dominant logics to be 'making ComB1 a globally competitive bank with international practices'. This framing signified the market-focus logic and guided resources allocations and adoption of practices and process such as business process reengineering, customer friendly banking technology, introduction of new products, and the reconfiguration of its organisational structure and creation of new divisions. Being in a position of high status, senior managers in the ComB1 used prescription underpinned by the state-favoured logic and complemented it with actions informed by the market logic. In contrast, managers in the ComB2 were more dependent on market mechanisms and less on state-led institutional support to acquire resources and for their business operation. Along with drawing on a market-oriented logic, they also recognise the business benefits to be had from active engagement with customers and the bank shareholders. The senior manager explained:

> We are cognizant of who we are and how we should evolve in this challenging business environment where the public banks remain dominant. Our focus is thus on building our shareholder base to increase our operational capacity and to get closer to the customers. Hence the focus of our strategy- branch expansion and providing satisfying customer service including the use of modern banking technology.

Hence, shareholder logic was used as a subset of market logic to build the capital base of the business and make sense of changes in the environment. These two logics were complemented, to a lesser degree, by actively monitoring signals coming from the state institutions

Notably, the two organisations varied in their dominant managerial logics and in consequence pursued different business strategies and gave different priorities to different elements of their strategy. The results indicate how the operating context shapes the dominant logics and how these in turn influence firms' behaviours and business strategies. Interestingly, comparing the pattern across the two cases, it would appear that the dominant logic of the state-owned bank demonstrates a higher level of proactiveness vis-a-vis the ComB2. Although surprising at first, a deeper examination reveals that the source of this pattern was the confidence engendered among senior managers in the state-owned bank which was induced by the strong partnerships that managers in these firms had forged with state actors, who were able to offer resources and protection. Hence, state-favoured logic become the prime guide that enabled senior managers in the ComB1 to make sense of their situations and identify 'appropriate' strategies and actions for organisational success (cf, Greenwood et al, 2010). In contrast, the ComB2's strategies and practices were shaped mainly by the market-dependent logic.

Discussions, conclusions and implications

Using the concepts of 'dominant logic' and 'institutional logics', this study examines the interplay between the two discrete logics when senior managers engage in strategising in the context of a transitional economy. Based on the matched pair cases studies, the paper casts light on dominant logic formation processes that underpin senior management's strategic response to a rapidly unfolding and extremely uncertain business environment. It identified the co-existence of market-dependent and state-favoured logics shaping management dominant logics at an organisational level. Ownership type is found to be a significant determinant in the use of state-favoured and market-dependent logics for providing a framework for reasoning, and concomitant criteria for legitimacy and appropriateness of organisational practices (Greenwood et al 2010; Thornton and Ocasio, 2008). Thus, to what extent firms were able to access the required resources and business opportunities were shaped by the extent to which they were relied upon the competing logics of the state and the market. Though not surprising, the study shows that the senior managers of the state-owned bank was more informed, better advantaged, and more embedded in the state favoured logics and as a result, were more able develop strategy and competence which enable the exploitation business opportunities than the ComB2 management (Haveman & Rao, 1997; Kraatz & Moore, 2002).

These two logics also may compete for attention. The ComB1 case demonstrated how an organisation's strategies and practices were underpinned by the rational use both logics and how such use could vary over time. In contrast the ComB2's business activities were principally shaped by a market-dependent logic. The main reason for this was the fact that senior managers perceived they lacked the required legitimacy and the necessary political backing to access state-sponsored resources in the environment where the state retains control over the resources and networks (Author A, forthcoming). Therefore, senior managers in the ComB2 faced equivocality and ambiguity when dealing with the state. The result was developing the 'market-dependent' logic to cope with institutional and market pressures. Perhaps not surprisingly, managers consequently believed that their organisational success depends more on meeting changing market needs and coping with competition. A market-constrained interpretation thus shaped senior management's dominant logic, business strategies and underlying routines and processes at organisational level.

One of the key conclusions of the study is that senior managers in the state-owned bank were more ambitious and confident than managers in the ComB2 and this was more important than sector or the market in which they operate. The study argues that currently there are institutional reasons (funding, sponsorship, privilege access to knowledge, resources, markets, people etc) and legacy reasons (command and control economy and socio-cultural) which help explain why many senior managers prioritise state over market.

This study contributes to existing literature in a number of ways. The first contribution is that it examined the heterogeneity of dominant logics at firm level and the co-existence of competing institutional logics that guided senior managements' decision making on key organisational issues such as strategy and, process and routines underpinning the chosen strategies. In particular, it highlights the importance of developing capability that enables organisations to draw on broader repertoire of practices and actions informed by the competing logics.

The second contribution of this study is its focus not only on the nature and consequences of dominant firm-level logics but also on the sources that shape them. Further, senior managers should be able to make decisions about what routines and practices should be considered and which learning is central to guide future firm actions. This study shows how shifts in the institutional logics (from legacy to either market dependent or state-favoured or to both) created differentiated organisational strategies and prioritising of different strategy elements. Hence, it adds to the previous studies that demonstrate how changes in the logics result in different outcomes such as variations in practices (Lounsbury, 2007; Reay & Hinings, 2005) and organizational structures (Thornton, 2002) as well as studies that seek to identify the forces that cause shifts in the attention to and emphasis on particular logics (Dunn & Jones, 2010). This study, therefore, underscores the contested and competing nature of institutional logics within a given institutional environment

. The relative dominance of a particular logic over the other in a given context may be moderated by the level of competition, sector, firm ownership type and firm resource endowments.

Implications, Limitations and Future Research

The first research implication is that the heterogeneity of dominant logics across organisations in different socio-economic contexts can challenge prevailing assumptions about attitudes to risk and strategic development. These logics also appeared to underpin contrasting firm level growth strategies. Future research could usefully delve deeper into the range of alternative growth strategies considered by managers in these conditions and the ways in which they evaluate these alternatives.

Second, the paper extends the view that suggests that agents, such as senior managers embedded in different organisational contexts, by holding contrasting interpretations of the institutional rules at play and the changes required to compete effectively, engage in divergent clusters of practices (see Boyer, 2006). In doing so, it links and extends the recent work of Lau and Bruton (2011) who examined the strategic orientations of business ventures in China and Russia in relation to the institutional legacies in these countries. This study adds to Lau and Bruton (2011) conceptualisation by clarifying the interplay of dominant logics and institutional factors and revealing more about the way in which senior managers navigate between state and market logics. The findings and conclusions of this study need to be considered alongside its limitations. The study was conducted in a single country and in matched-paired case study organisations in the banking sector. The patterns found could be tested more fully in other African and Asian countries, where different institutional arrangements prevail. Moreover, other industry sectors could be usefully compared, offering some variation to the organisational fields examined.

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